

DAWSON COUNTY  
GLEN DIVE, MONTANA

FINANCIAL STATEMENTS

For the Year Ended June 30, 2014

OLNESS & ASSOCIATES, P. C.

CERTIFIED PUBLIC ACCOUNTANTS

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TABLE OF CONTENTS

	<u>Page No.</u>
ORGANIZATION .....	1
INDEPENDENT AUDITOR'S REPORT .....	2
REQUIRED SUPPLEMENTARY INFORMATION:	
Management's Discussion & Analysis .....	4
BASIC FINANCIAL STATEMENTS:	
Government-wide Financial Statements:	
Statement of Net Position .....	9
Statement of Activities .....	10
Fund Financial Statements:	
Balance Sheet - Governmental Funds .....	11
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position.....	12
Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds .....	13
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities .....	14
Statement of Net Position - Proprietary Fund .....	15
Statement of Revenues, Expenses and Changes in Net Position - Proprietary Fund.....	16
Statement of Cash Flows - Proprietary Fund .....	17
Statement of Net Position - Fiduciary Funds.....	18
Statement of Changes in Net Position - Fiduciary Fund .....	19
Notes to Basic Financial Statements.....	20
REQUIRED SUPPLEMENTARY INFORMATION:	
Budgetary Comparison Information:	
Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual:	
General Fund.....	31
Road Fund.....	32
Airport Fund.....	33
Public Safety Fund.....	34
Metropolitan Sewer Dist. #1 Fund.....	35
Federal Mineral Royalty Fund.....	36
Note to Required Supplementary Information .....	37
OTHER SUPPLEMENTARY INFORMATION:	
Schedule of Expenditures of Federal Awards .....	38
SUMMARY SCHEDULE OF PRIOR YEAR FEDERAL AWARD FINDINGS AND QUESTIONED COSTS .....	41
INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH <i>GOVERNMENT AUDITING STANDARDS</i> .....	42
INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133 .....	44
SCHEDULE OF FINDINGS AND QUESTIONED COSTS .....	46
SCHEDULE OF PRIOR YEAR FINANCIAL STATEMENT FINDINGS .....	50

DAWSON COUNTY

ORGANIZATION

June 30, 2014

BOARD OF COUNTY COMMISSIONERS

Adam Gartner	Board Chairperson
James Skillestad	Commissioner
Douglas Baxbaum	Commissioner

ELECTED OFFICIALS

Shirley Kreiman	County Clerk and Recorder
Vickie Boje	County Treasurer
Craig Anderson	County Sheriff
Olivia Norlin-Rieger	County Attorney/Public Administrator
Steve Engebretson	County Superintendent
Tammera Helmuth	Clerk of District Court
Ed Williamson	Justice of the Peace
Lance Silha	County Coroner

# OLNESS & ASSOCIATES, P. C.

CERTIFIED PUBLIC ACCOUNTANTS

BRENT D. OLNESS, CPA  
CURT D. WYSS, CPA

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## INDEPENDENT AUDITOR'S REPORT

To the Board of County Commissioners  
Dawson County  
Glendive, Montana

### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Dawson County, Montana (the government) as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the government's basic financial statements as listed in the table of contents.

### Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

### Basis for Qualified Opinions

Because we did not observe year-end inventory counts and because the government's accounting records related to inventory do not permit adequate retroactive tests of inventory quantities, we were unable to form an opinion regarding the amounts at which inventory was recorded in the governmental activities, the road fund, the airport fund and the aggregate remaining fund information.

Management has not recorded the other post employment benefit (OPEB) liability and related expense in the governmental activities, business-type activities and the proprietary fund. Accounting principles generally accepted in the United States of America require that the OPEB liability and related expense be recorded, which would increase the liabilities, decrease net position and change expenses in the governmental activities, business-type activities and the proprietary fund. The amount by which this departure would affect the liabilities, net position and expenses has not been determined.

### Qualified Opinions

In our opinion, except for the effects of the matter described in the first paragraph under the heading "Basis for Qualified Opinions" and except for the possible effects of the matter discussed in the second paragraph under the heading "Basis for Qualified Opinions", the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, business-type activities, the road fund, the airport fund, the proprietary fund and the aggregate remaining fund information of the government, as of June 30, 2014, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

INDEPENDENT AUDITOR'S REPORT (Continued)

Unmodified Opinions

In our opinion, the financial statements referred to in the first paragraph present fairly, in all material respects, the respective financial position of each major governmental fund (excluding the road and airport fund) of the government, as of June 30, 2014, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

*Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information identified in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

*Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the government's basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 13, 2015, on our consideration of the government's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the government's internal control over financial reporting and compliance.

*O'Leary & Associates, PC*

Billings, Montana  
March 13, 2015

DAWSON COUNTY  
MANAGEMENT'S DISCUSSION & ANALYSIS

As Commissioners of Dawson County, we offer readers an overall review of the County's financial activities for the year ended June 30, 2014. The intent of this discussion and analysis is to look at the County's financial performance as a whole; readers should also review the basic financial statements, which begin on page 9, to enhance their understanding of the County's financial performance. Comparisons to fiscal year 2013 are presented.

#### FINANCIAL HIGHLIGHTS

- Total assets of Dawson County, reported as of June 30, 2014, were \$29,679,755. This includes governmental and business-type cash/investments, receivables, and capital assets such as land, buildings, equipment and improvements. GASB 34 classified governments with revenues of less than \$10 million a year as Phase III entities, and did not require Phase III governments to retroactively report their governmental infrastructure assets. Because of that exemption, the County of Dawson has chosen not to include existing governmental activity infrastructure such as streets, sidewalks, lights, flood control and parks on its balance sheets until new infrastructure and major infrastructure improvements are developed.
- Net position (total assets less liabilities) was \$27,497,615 on June 30, 2014. Of this, \$3,916,995 (unrestricted net position) may be used to meet the government's ongoing obligations to its citizens and creditors.
- Governmental activities net position increased \$1,074,232 and business-type activities net position decreased \$395,203.
- Total cash and investments as of June 30, 2014, was \$21,654,913
- The County's long-term obligations in its governmental activities total \$1,462,470. \$535,596 is related to compensated absences and \$525,074 is for a courthouse improvement loan and \$401,800 is for two motor grader loans. In our business-type activities, long-term obligations total \$309,830, which consists of compensated absences.

#### USING THIS AUDIT REPORT

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand Dawson County as a financial whole or as an entire operating entity. The statements then proceed to provide an increasingly detailed look at specific financial conditions. More detailed information for certain funds, are reported as "Major Funds" These funds include (governmental funds): **General, Road, Airport, Public Safety, Metropolitan Sewer Dist. #1, Federal Mineral Royalty** and (proprietary fund) **Regional Prison**.

The Statement of Net Position and Statement of Activities provide information about the activities of the entire county. Net position is the difference between assets and liabilities. Over time, increases or decreases in the County's net position is one indicator of whether its financial health or financial position is improving or deteriorating. Other factors to consider are changes in the County's property tax base and the condition of the County's infrastructure.

#### OVERVIEW OF THE FINANCIAL STATEMENTS

**Government-wide Financial Statements:** The Statement of Net Position and the Statement of Activities (pages 9 and 10) are designed to provide readers with a broad overview of Dawson County's finances in a manner similar to a private-sector business. Both of the government-wide financial statements distinguish functions of Dawson County that are principally supported by taxes, intergovernmental revenues, grants and charges for services. Governmental activities of Dawson County include a full range of local government services provided to the public, such as public safety, public works, Dawson Community Airport, Dawson Memorial and Dawson County Cemeteries, and health services. Business-type activities include the operation of the regional jail.

**Fund Financial Statements:** A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Dawson County, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the County funds can be divided into three categories: governmental funds, proprietary funds and fiduciary funds.

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financial requirements. The basic governmental fund financial statements can be found on pages 11 and 13 of this report. We describe the relationship (or differences) between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds in reconciliation's (pages 12 and 14, respectively).

DAWSON COUNTY  
MANAGEMENT'S DISCUSSION & ANALYSIS

Proprietary Funds are used to account for a government's business type activities, where all or part of the costs of activities are supported by fees and charges that are paid directly by those who benefit from the activities. Dawson County maintains one proprietary fund, the prison portion of the Dawson County Law Enforcement Facility. This fund is used to report the same functions presented as business-type activities in the government-wide financial statements.

Fiduciary Funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support Dawson County's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

**THE GOVERNMENT AS A WHOLE**

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. The following net position and changes in net position schedules provide summaries of the County's governmental and business-type activities.

NET POSITION:	Governmental Activities		Business-type Activities		Total	
	2014	2013	2014	2013	2014	2013
Current and other assets	\$ 10,931,285	\$ 9,825,385	\$ 871,143	\$ 1,133,074	\$ 11,802,428	\$ 10,958,459
Capital assets	11,669,796	11,111,241	6,207,531	6,306,268	17,877,327	17,417,509
<b>Total assets</b>	<b>22,601,081</b>	<b>20,936,626</b>	<b>7,078,674</b>	<b>7,439,342</b>	<b>29,679,755</b>	<b>28,375,968</b>
Other liabilities	409,840	188,893	-	-	409,840	188,893
Long-term liabilities	1,462,470	1,093,194	309,830	275,295	1,772,300	1,368,489
<b>Total liabilities</b>	<b>1,872,310</b>	<b>1,282,087</b>	<b>309,830</b>	<b>275,295</b>	<b>2,182,140</b>	<b>1,557,382</b>
<b>Net position:</b>						
Net investment in capital assets	10,742,922	10,525,960	6,207,531	6,306,268	16,950,453	16,832,228
Restricted	6,630,167	6,038,181	-	-	6,630,167	6,038,181
Unrestricted	3,355,682	3,090,398	561,313	857,779	3,916,995	3,948,177
<b>Total net position</b>	<b>\$ 20,728,771</b>	<b>\$ 19,654,539</b>	<b>\$ 6,768,844</b>	<b>\$ 7,164,047</b>	<b>\$ 27,497,615</b>	<b>\$ 26,818,586</b>

As the reader will note, the largest portion of Dawson County's net position (61 percent) reflects its investment in capital assets (land, buildings, equipment, etc.), less any debt used to acquire those assets that is still outstanding. Because Dawson County uses these capital assets to provide services to its citizens, they are not available for future spending. Restricted net position represents resources that are subject to external restrictions on how they may be used.

**CHANGE IN NET POSITION:**

	Governmental Activities		Business-type Activities		Total	
	2014	2013	2014	2013	2014	2013
<b>Revenues:</b>						
<b>Program revenues:</b>						
Charges for services	\$ 1,837,156	\$ 1,804,726	\$ 3,493,655	\$ 3,494,597	\$ 5,330,811	\$ 5,299,323
Operating grants and contributions	1,084,029	1,881,290	-	-	1,084,029	1,881,290
Capital grants and contributions	296,461	601,484	-	-	296,461	601,484
<b>General revenues:</b>						
Taxes	4,227,035	4,064,823	-	-	4,227,035	4,064,823
Licenses and permits	1,840	2,310	-	-	1,840	2,310
Intergovernmental	2,592,719	2,084,630	-	-	2,592,719	2,084,630
Interest	80,159	74,003	5,758	5,819	85,917	79,822
Miscellaneous	157,581	123,055	26,340	28,476	183,921	151,531
Gain on disposal of capital assets	-	6,950	10,976	-	10,976	6,950
<b>Total revenues</b>	<b>10,276,980</b>	<b>10,643,271</b>	<b>3,536,729</b>	<b>3,528,892</b>	<b>13,813,709</b>	<b>14,172,163</b>

DAWSON COUNTY  
MANAGEMENT'S DISCUSSION & ANALYSIS

CHANGE IN NET POSITION: (continued)

	Governmental Activities		Business-type Activities		Total	
	2014	2013	2014	2013	2014	2013
<b>Expenses:</b>						
General government	2,227,877	1,941,393	-	-	2,227,877	1,941,393
Public safety	1,838,333	1,587,116	-	-	1,838,333	1,587,116
Public works	3,177,766	3,520,856	-	-	3,177,766	3,520,856
Public health	1,098,626	1,055,206	-	-	1,098,626	1,055,206
Social and economic services	463,862	408,745	-	-	463,862	408,745
Culture and recreation	562,143	499,899	-	-	562,143	499,899
Housing and community development	19,616	21,881	-	-	19,616	21,881
Conservation of natural resources	5,000	-	-	-	5,000	-
Other current charges	2,551	-	-	-	2,551	-
Regional prison	-	-	3,716,928	3,230,323	3,716,928	3,230,323
Interest on long-term debt	21,978	8,261	-	-	21,978	8,261
<b>Total expenses</b>	<b>9,417,752</b>	<b>9,043,357</b>	<b>3,716,928</b>	<b>3,230,323</b>	<b>13,134,680</b>	<b>12,273,680</b>
Change in net position before transfers	859,228	1,599,914	(180,199)	298,569	679,029	1,898,483
Transfers	215,004	218,340	(215,004)	(218,340)	-	-
Change in net position	1,074,232	1,818,254	(395,203)	80,229	679,029	1,898,483
Net position, beginning	19,654,539	17,836,285	7,164,047	7,083,818	26,818,586	24,920,103
Net position, ending	<u>\$ 20,728,771</u>	<u>\$ 19,654,539</u>	<u>\$ 6,768,844</u>	<u>\$ 7,164,047</u>	<u>\$ 27,497,615</u>	<u>\$ 26,818,586</u>

Net position for the governmental activities increased \$1,074,232. The increase was mainly due to capital grants and contributions and conservative spending. The net position for business-type activities decreased \$395,203 or 5 percent. The decrease was mainly to due to employee raises. The current state reimbursement rate for state prisoners did not include any increase for employee raises.

**FUND FINANCIAL STATEMENTS**

The fund financial statements provide detailed information about the major (most significant) funds. To be reported as a major fund, a fund must meet each of the two criteria below. Governments may choose to report other governmental and enterprise funds as major funds, even though they do not meet this test. The General fund is always reported as a major fund.

Total assets, liabilities/deferred inflows of resources, revenues, or expenditures/expenses of that individual governmental or enterprise fund are at least 10 percent of the corresponding element total (assets, liabilities, etc.) for all funds of that category or type (that is, total governmental or total enterprise funds).

The same element that met the 10 percent criterion is at least 5 percent of the corresponding element total for all governmental and enterprise funds combined.

**General:** This fund includes the following accounts: Commissioner, Public Administration, Justice Court, Financial Services, Treasurer, Tax Appeal, Elections, Microfilm, Clerk & Recorder, Tax Deed, County Attorney, Victim Witness, Courthouse Maintenance, Safety, Engineering, Superintendent of Schools, Stores, County Coroner, D.C. Cemeteries, Public Health, Sanitarian, Mental Health, Dog Control, Veterans Burials, County Agent, County Park Maintenance, Museums, and Indigent Burials. The General fund fund balance as of June 30, 2014 was \$2,484,443, an increase of \$114,683 over the prior fiscal year, due in part to conservative spending. General fund revenues were \$3,151,933, an increase of \$213,929 over the prior fiscal year. For the fiscal year, General fund expenditures decreased by \$300,365. The decrease was partially due to the completion of the elevator installation.

**Road:** This fund maintains bridges and culverts, upgrades and maintains over 1,000 miles of gravel roads, provides snow removal and sands streets, crack and chip seals streets and services and repairs equipment. Total revenue received was \$1,165,330, the largest portion of this revenue was from taxes/assessments, state shared revenues and federal and state FEMA. Total expenditures for the fiscal year were \$1,325,790. The largest portion of the expenditures includes salaries, repairs/maintenance and fuel.

**Airport:** This fund maintains the community airport. Total revenue received was \$773,669, the largest portion of this revenue was from taxes/assessments, state shared revenues and federal grants. Total expenditures for the fiscal year were \$717,866. The largest portion of the expenditures includes salaries, repairs/maintenance and runway upgrades.

DAWSON COUNTY  
MANAGEMENT'S DISCUSSION & ANALYSIS

Public Safety: This fund provides law enforcement and jail, offering protection for Dawson County residents. Total revenue received was \$1,163,293 with the majority generated from taxes/assessments, local government severance tax, entitlement and boarding of prisoners. The expenditures during fiscal year 2014 totaled \$1,312,121 with the largest portion of expenditures paid out on salaries, supplies, communications, transportation, capital outlay and jail meals.

Metropolitan Sanitary Sewer District #1: This fund was formed at the end of the fiscal year. Three special improvement districts were combined in order to address the court order to meet the discharge requirements of the West Glendive lagoon. Two sewer districts and the lagoon district which encompassed both of the sewer districts have been combined and have an agreement with the City of Glendive to connect to the wastewater treatment plant that is being constructed. It was necessary to combine these districts and form a metropolitan sanitary sewer district as construction will need to take place to transport the sewer from West Glendive over or under the Yellowstone River to connect to the City of Glendive. Expenses of \$105,564 consisted of engineering fees. The fund balance was \$291,901.

The Federal Mineral Royalty fund accounts for resources accumulated from the State of Montana for mineral royalty payments. Payments made from the fund are at the discretion of the Board of County Commissioners. Fund balance increased \$175,069. Dollars are set aside for future projects, emergency needs and equipment purchases.

Regional Prison, Enterprise Fund: Prior to 2004 the regional prison fund was part of the Public Safety fund. Due to GASB regulations, the regional prison became an Enterprise fund. It is currently funded by state monies. The monthly payment from the state is determined by using the total number of inmates, multiplied by the present daily reimbursement rate of \$67.70 per inmate. The rate will remain the same through July 2014. Net position decreased by \$395,203. This fund at year-end had a cash balance of \$568,737. Operating revenues for fiscal year 2014 were \$3,493,655, operating expenses were \$3,716,928 and total assets were \$7,078,674. The decrease is of concern and management is seeking ways to minimize expenditures.

General fund budgetary highlights: The significant difference between the original to actual revenue increase was primarily due to the unanticipated receipt of state shared revenues and tax relief reimbursement. Several budget amendments for federal or state grant monies were adopted.

#### **CAPITAL ASSET AND DEBT ADMINISTRATION**

Capital assets of the County are those assets that are used in the performance of the County's functions. Infrastructure assets have not previously been booked, and therefore are not included in this report. As of June 30, 2014, the net investment in capital assets totaled \$10,742,922 and \$6,207,531 for governmental and business-type activities, respectively.

Long-term debt consists of a courthouse improvement loan and 2 road grader loans. For more information related to long-term debt, please refer to the notes to the basic financial statements.

#### **THE GOVERNMENT'S FUTURE**

The annual budget assures the efficient, effective and economic uses of the County's resources, as well as establishing that projects and objectives are carried out according to prioritized planning. Through the budget, the County Commissioners set the direction of the County and allocates its resources.

As the County enters into fiscal year 2015, it is in a good financial position overall. The increase in costs for the regional jail, have caused the lag time in reimbursement from the state to impact cash flow. There has been concern from law enforcement regarding the overcrowding in the county jail. A bond issue for expansion was placed on the November ballot, but was voted down by a fairly narrow margin. The County is committed to maintaining a long-term capital improvement plan, with a primary function of protecting and replacing infrastructure and equipment. Road equipment continues to deteriorate and road maintenance continues to be a frequent concern of citizens.

Dawson County's population is aging and declining. The local economy has been boosted by the oil business, but it has also put demands on the county infrastructure. The county has experienced some of the financial impacts from these demands, but has not benefited from increased revenues, therefore the burden has remained on individual taxpayers. Housing continues to be a growing concern in the area. Although the County has worked diligently to keep the cost of basic services to the public down, costs to the county continue to rise.

The following factors are positive aspects:

- The County is working with the City of Glendive for a wastewater treatment facility. The City of Glendive will be constructing the facility and the County will connect the West Glendive areas outside of the City limits to the facility. The County is in the process of securing grants and funding. This should also assist the area in opening up properties which were limited for expansion due to the West Glendive lagoon being at capacity.

DAWSON COUNTY  
MANAGEMENT'S DISCUSSION & ANALYSIS

- The County constructed a new fairgrounds restroom facility that was completed in July 2014.

**CONTACTING THE COUNTY'S FINANCIAL MANAGEMENT**

This financial report is designed to provide the citizens, taxpayers, customers, investors and creditors of Dawson County with a general overview of the County's finances and to show the County's accountability for the money it receives. If you have any questions about this report or need any additional financial information, contact: Shirley A. Kreiman, Dawson County Clerk and Recorder, 207 West Bell Street, Glendive, Montana 59330, or fax (406) 377-1717, or telephone (406) 377-3058, or email [kreimans@dawsoncountymail.com](mailto:kreimans@dawsoncountymail.com).

DAWSON COUNTY  
STATEMENT OF NET POSITION  
June 30, 2014

	Governmental Activities	Business-type Activities	Total
<b>ASSETS</b>			
Cash and equivalents	\$ 2,899,735	\$ 162,574	\$ 3,062,309
Investments	7,244,488	406,163	7,650,651
Receivables:			
Taxes and assessments	141,652	-	141,652
Health	10,908	-	10,908
Weed	3,232	-	3,232
Airport	400	-	400
Prisoner boarding	6,023	302,406	308,429
Auction sale	33,880	-	33,880
Governments	442,261	-	442,261
Inventories	87,581	-	87,581
Prepays	61,125	-	61,125
Capital assets:			
Land and construction in progress	1,099,103	24,985	1,124,088
Capital assets, net of accumulated depreciation	10,570,693	6,182,546	16,753,239
<b>Total assets</b>	<b>22,601,081</b>	<b>7,078,674</b>	<b>29,679,755</b>
<b>LIABILITIES</b>			
Accounts payable:			
Vendors	181,242	-	181,242
Due to other governments	49,829	-	49,829
Unearned revenues	178,769	-	178,769
Long-term liabilities:			
Due within one year:			
Notes payable	202,576	-	202,576
Compensated absences	53,560	30,983	84,543
Due in more than one year:			
Notes payable	724,298	-	724,298
Compensated absences	482,036	278,847	760,883
<b>Total liabilities</b>	<b>1,872,310</b>	<b>309,830</b>	<b>2,182,140</b>
<b>NET POSITION</b>			
Net investment in capital assets	10,742,922	6,207,531	16,950,453
Restricted for:			
Nonexpendable:			
Permanent fund-perpetual cemetery	573,728	-	573,728
General government	1,208,073	-	1,208,073
Public safety	838,166	-	838,166
Public works	2,413,318	-	2,413,318
Public health	297,246	-	297,246
Social and economic services	154,162	-	154,162
Culture and recreation	210,651	-	210,651
Housing and community development	19,216	-	19,216
Capital projects	915,607	-	915,607
Unrestricted	3,355,682	561,313	3,916,995
<b>Total net position</b>	<b>\$ 20,728,771</b>	<b>\$ 6,768,844</b>	<b>\$ 27,497,615</b>

DAWSON COUNTY  
STATEMENT OF ACTIVITIES  
For the Year Ended June 30, 2014

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
<b>Governmental activities:</b>							
General government	\$ 2,227,877	\$ 192,732	\$ 31,037	\$ -	\$ (2,004,108)	\$ -	\$ (2,004,108)
Public safety	1,838,333	287,640	89,844	12,000	(1,448,849)	-	(1,448,849)
Public works	3,177,766	890,160	442,605	183,242	(1,661,759)	-	(1,661,759)
Public health	1,098,626	326,657	312,121	-	(459,848)	-	(459,848)
Social and economic services	463,862	74,854	154,305	-	(234,703)	-	(234,703)
Culture and recreation	562,143	65,113	49,117	101,219	(346,694)	-	(346,694)
Housing and community development	19,616	-	-	-	(19,616)	-	(19,616)
Conservation of natural resources	5,000	-	5,000	-	-	-	-
Other current charges	2,551	-	-	-	(2,551)	-	(2,551)
Interest on long-term debt	21,978	-	-	-	(21,978)	-	(21,978)
<b>Total governmental activities</b>	<b>9,417,752</b>	<b>1,837,156</b>	<b>1,084,029</b>	<b>296,461</b>	<b>(6,200,106)</b>	<b>-</b>	<b>(6,200,106)</b>
<b>Business-type activities:</b>							
Regional Prison	3,716,928	3,493,655	-	-	-	(223,273)	(223,273)
<b>Total business-type activities</b>	<b>3,716,928</b>	<b>3,493,655</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(223,273)</b>	<b>(223,273)</b>
<b>Total</b>	<b>\$ 13,134,680</b>	<b>\$ 5,330,811</b>	<b>\$ 1,084,029</b>	<b>\$ 296,461</b>	<b>(6,200,106)</b>	<b>(223,273)</b>	<b>(6,423,379)</b>
<b>General revenues:</b>							
Property taxes, levied for general purposes					4,227,035	-	4,227,035
Licenses and permits					1,840	-	1,840
Intergovernmental					2,592,719	-	2,592,719
Unrestricted investment earnings					80,159	5,758	85,917
Miscellaneous					157,581	26,340	183,921
Gain on disposal of capital assets					-	10,976	10,976
Transfers					215,004	(215,004)	-
<b>Total general revenues and transfers</b>					<b>7,274,338</b>	<b>(171,930)</b>	<b>7,102,408</b>
<b>Change in net position</b>					<b>1,074,232</b>	<b>(395,203)</b>	<b>679,029</b>
<b>Net position - beginning</b>					<b>19,654,539</b>	<b>7,164,047</b>	<b>26,818,586</b>
<b>Net position - ending</b>					<b>\$ 20,728,771</b>	<b>\$ 6,768,844</b>	<b>\$ 27,497,615</b>

DAWSON COUNTY  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
June 30, 2014

	General	Road	Airport	Public Safety	Metropolitan Sewer Dist. #1	Federal Mineral Royalty	Total Nonmajor Funds	Total Governmental Funds
<b>ASSETS</b>								
Cash and cash equivalents	\$ 702,191	\$ 230,717	\$ 63,283	\$ 189,909	\$ 113,616	\$ 299,976	\$ 1,300,043	\$ 2,899,735
Investments	1,754,305	576,408	158,102	474,456	283,849	749,438	3,247,930	7,244,488
Receivables:								
Taxes and assessments	37,836	14,942	3,602	20,749	-	-	64,523	141,652
Health	10,908	-	-	-	-	-	-	10,908
Weed	-	-	-	-	-	-	3,232	3,232
Airport	-	-	400	-	-	-	-	400
Prisoner boarding	-	-	-	6,023	-	-	-	6,023
Auction sale	-	33,880	-	-	-	-	-	33,880
Governments	17,039	217,937	165,293	-	-	-	31,992	432,261
Due from funds	-	-	-	-	-	110,258	10,000	120,258
Inventories	-	13,274	17,185	-	-	-	57,122	87,581
Prepaid items	-	-	-	36,485	-	-	24,640	61,125
<b>Total assets</b>	<b>\$ 2,522,279</b>	<b>\$ 1,087,158</b>	<b>\$ 407,865</b>	<b>\$ 727,622</b>	<b>\$ 397,465</b>	<b>\$ 1,159,672</b>	<b>\$ 4,739,482</b>	<b>\$ 11,041,543</b>
<b>LIABILITIES</b>								
Accounts payable:								
Vendors	\$ -	\$ -	\$ 181,242	\$ -	\$ -	\$ -	\$ -	\$ 181,242
Due to other funds	-	-	4,694	-	105,564	-	-	110,258
Due to other governments	-	-	-	49,829	-	-	-	49,829
Unearned revenues	-	137,829	-	-	-	-	40,940	178,769
<b>Total liabilities</b>	<b>-</b>	<b>137,829</b>	<b>185,936</b>	<b>49,829</b>	<b>105,564</b>	<b>-</b>	<b>40,940</b>	<b>520,098</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>								
Unavailable revenues-taxes and assessments	37,836	14,942	3,602	20,749	-	-	64,523	141,652
<b>Total deferred inflows of resources</b>	<b>37,836</b>	<b>14,942</b>	<b>3,602</b>	<b>20,749</b>	<b>-</b>	<b>-</b>	<b>64,523</b>	<b>141,652</b>
<b>FUND BALANCES</b>								
Nonspendable:								
Prepaid items	-	-	-	36,485	-	-	24,640	61,125
Inventory	-	13,274	17,185	-	-	-	57,122	87,581
Permanent fund-perpetual cemetery	-	-	-	-	-	-	573,728	573,728
Restricted for:								
General government	-	-	-	-	-	-	1,188,700	1,188,700
Public safety	-	-	-	620,559	-	-	159,576	780,135
Public works	-	921,113	201,142	-	291,901	-	860,734	2,274,890
Public health	-	-	-	-	-	-	295,006	295,006
Social and economic services	-	-	-	-	-	-	152,113	152,113
Culture and recreation	-	-	-	-	-	-	178,907	178,907
Housing and community development	-	-	-	-	-	-	18,559	18,559
Capital projects	-	-	-	-	-	-	915,607	915,607
Committed for:								
General government	-	-	-	-	-	1,159,672	130,488	1,290,160
Public safety	-	-	-	-	-	-	1,026	1,026
Public works	-	-	-	-	-	-	7,910	7,910
Public health	-	-	-	-	-	-	3,117	3,117
Social and economic services	-	-	-	-	-	-	43,548	43,548
Culture and recreation	-	-	-	-	-	-	23,238	23,238
Unassigned	2,484,443	-	-	-	-	-	-	2,484,443
<b>Total fund balances</b>	<b>2,484,443</b>	<b>934,387</b>	<b>218,327</b>	<b>657,044</b>	<b>291,901</b>	<b>1,159,672</b>	<b>4,634,019</b>	<b>10,379,793</b>
<b>Total liabilities, deferred inflows of resources and fund balances</b>	<b>\$ 2,522,279</b>	<b>\$ 1,087,158</b>	<b>\$ 407,865</b>	<b>\$ 727,622</b>	<b>\$ 397,465</b>	<b>\$ 1,159,672</b>	<b>\$ 4,739,482</b>	<b>\$ 11,041,543</b>

DAWSON COUNTY  
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS TO THE STATEMENT OF NET POSITION  
June 30, 2014

Total fund balances, governmental funds	\$ 10,379,793
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the fund financial statements, but are reported in the governmental activities of the statement of net position.	11,669,796
Certain other long-term assets are unavailable to pay current period expenditures and, therefore, are not reported in the fund financial statements, but are reported in the governmental activities of the statement of net position.	141,652
Some liabilities (such as notes payable and compensated absences), are not due and payable in the current period and, therefore, are not included in the fund financial statements, but are included in the governmental activities of the statement of net position.	<u>(1,462,470)</u>
Net position of governmental activities	<u><u>\$ 20,728,771</u></u>

DAWSON COUNTY  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
For the Year Ended June 30, 2014

	General	Road	Airport	Public Safety	Metropolitan Sewer Dist. #1	Federal Mineral Royalty	Total Nonmajor Funds	Total Governmental Funds
<b>REVENUES</b>								
Taxes/assessments	\$ 1,682,898	\$ 492,579	\$ 121,811	\$ 587,733	\$ -	\$ -	\$ 1,938,053	\$ 4,823,074
Fines and forfeitures	121,658	-	-	-	-	-	8,340	129,998
Licenses and permits	1,750	-	-	-	-	-	90	1,840
Intergovernmental	757,792	658,983	508,504	413,919	-	330,897	1,155,081	3,825,176
Charges for services	490,159	1,078	133,419	142,513	-	-	326,629	1,093,798
Investment earnings	58,773	-	-	4,585	-	345	16,456	80,159
Miscellaneous	38,903	12,690	9,935	14,543	-	-	229,543	305,614
<b>Total revenues</b>	<b>3,151,933</b>	<b>1,165,330</b>	<b>773,669</b>	<b>1,163,293</b>	<b>-</b>	<b>331,242</b>	<b>3,674,192</b>	<b>10,259,659</b>
<b>EXPENDITURES</b>								
<b>Current:</b>								
General government	1,620,681	80	-	-	-	6,834	547,752	2,175,347
Public safety	110,698	-	-	1,305,630	-	-	313,700	1,730,028
Public works	204,615	923,910	534,278	-	105,564	-	911,840	2,680,207
Public health	587,715	-	-	-	-	-	512,472	1,100,187
Social and economic services	105,506	-	-	-	-	-	327,479	432,985
Culture and recreation	115,705	-	-	-	-	-	421,176	536,881
Housing and community development	-	-	-	-	-	920	18,696	19,616
Conservation of natural resources	-	-	-	-	-	-	5,000	5,000
Other current charges	-	-	-	-	-	2,000	551	2,551
<b>Debt service:</b>								
Principal	60,207	-	-	-	-	-	-	60,207
Interest and other charges	21,632	-	346	-	-	-	-	21,978
Capital outlay	70,566	401,800	183,242	6,491	-	172,419	476,107	1,310,625
<b>Total expenditures</b>	<b>2,897,325</b>	<b>1,325,790</b>	<b>717,866</b>	<b>1,312,121</b>	<b>105,564</b>	<b>182,173</b>	<b>3,534,773</b>	<b>10,075,612</b>
Excess (deficiency) of revenues over expenditures	254,608	(160,460)	55,803	(148,828)	(105,564)	149,069	139,419	184,047
<b>OTHER FINANCING SOURCES (USES)</b>								
Long-term debt issued	-	401,800	-	-	-	-	-	401,800
Sale of capital assets	-	33,880	-	2,175	-	-	-	36,055
Insurance recoveries	-	-	-	-	-	-	46,370	46,370
Transfers in	85,242	-	-	137,004	397,465	26,000	610,129	1,255,840
Transfers out	(225,166)	-	-	-	-	-	(815,670)	(1,040,836)
<b>Total other financing sources (uses)</b>	<b>(139,924)</b>	<b>435,680</b>	<b>-</b>	<b>139,179</b>	<b>397,465</b>	<b>26,000</b>	<b>(159,171)</b>	<b>699,229</b>
<b>Net change in fund balances</b>	<b>114,684</b>	<b>275,220</b>	<b>55,803</b>	<b>(9,649)</b>	<b>291,901</b>	<b>175,069</b>	<b>(19,752)</b>	<b>883,276</b>
Fund balances - beginning	2,369,759	647,777	171,802	666,693	-	984,603	4,671,527	9,512,161
Change in inventory	-	11,390	(9,278)	-	-	-	(17,756)	(15,644)
<b>Fund balances - ending</b>	<b>\$ 2,484,443</b>	<b>\$ 934,387</b>	<b>\$ 218,327</b>	<b>\$ 657,044</b>	<b>\$ 291,901</b>	<b>\$ 1,159,672</b>	<b>\$ 4,634,019</b>	<b>\$ 10,379,793</b>

DAWSON COUNTY  
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES OF  
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES  
For the Year Ended June 30, 2014

Net change in fund balances - total governmental funds \$ 883,276

Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report outlay for capital assets as expenditures because such outlay uses current financial resources. In contrast, the statement of activities reports only a portion of the outlay as expense. The outlay is allocated over the assets estimated useful lives as depreciation expense for the period.

This is the amount by which capital outlay (\$1,310,625) exceeded depreciation (\$707,676) in the current period. 602,949

The net effect of miscellaneous transactions involving capital assets (i.e., sales, trade-ins, and donations) is to decrease net position. (44,394)

Governmental funds do not present revenues that are not available to pay current obligations. In contrast, such revenues are reported in the statement of activities when earned. 17,321

Long-term debt issued provides current financial resources to governmental funds, but issuing debt increases the long-term liabilities in the statement of net position. Governmental funds report repayment of principal as an expenditure. In contrast, the statement of activities treats such repayments as a reduction in long-term liabilities. The following is a detail of these activities:

Notes issued (401,800)  
Principal payments on notes payable 60,207

Governmental funds use the purchases method of accounting for inventory. In contrast, the consumption method of accounting for inventory is used in the government-wide financial statements. This is the difference between the two methods of accounting for inventory. (15,644)

Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds:

Compensated absences (27,683)

Change in net position of governmental activities \$ 1,074,232

DAWSON COUNTY  
STATEMENT OF NET POSITION  
PROPRIETARY FUND  
June 30, 2014

	Enterprise Fund
	Regional Prison
<b>ASSETS</b>	
Current assets:	
Cash and cash equivalents	\$ 162,574
Investments	406,163
Prisoner boarding receivable	302,406
Total current assets	871,143
Non-current assets:	
Capital assets:	
Land	24,985
Buildings and improvements	7,590,135
Equipment and furniture	242,911
Less: accumulated depreciation	(1,650,500)
Total non-current assets	6,207,531
Total assets	7,078,674
<b>LIABILITIES</b>	
Current liabilities:	
Compensated absences	30,983
Total current liabilities	30,983
Non-current liabilities:	
Compensated absences	278,847
Total non-current liabilities	278,847
Total liabilities	309,830
<b>NET POSITION</b>	
Net investment in capital assets	6,207,531
Unrestricted	561,313
Total net position	\$ 6,768,844

DAWSON COUNTY  
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION  
PROPRIETARY FUND  
For the Year Ended June 30, 2014

	Enterprise Fund
	Regional Prison
REVENUES	
Charges for services	\$ 3,493,655
Total operating revenues	3,493,655
OPERATING EXPENSES	
Personal services	2,782,980
Supplies	414,544
Purchased services	334,540
Fixed charges	50,696
Depreciation	134,168
Total operating expenses	3,716,928
Operating loss	(223,273)
NON-OPERATING REVENUES	
Interest and investment revenue	5,758
Miscellaneous revenue	26,340
Gain on disposal of capital assets	10,976
Total non-operating revenues	43,074
Loss before transfers	(180,199)
Transfers out	(215,004)
Change in net position	(395,203)
Total net position - beginning	7,164,047
Total net position - ending	\$ 6,768,844

DAWSON COUNTY  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUND  
For the Year Ended June 30, 2014

	Enterprise Fund
	Regional Prison
<b>CASH FLOWS FROM OPERATIONS:</b>	
Cash received from customers	\$ 3,478,568
Cash paid to employees	(2,748,445)
Cash paid to suppliers for goods and services	(799,780)
	(69,657)
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</b>	
Cash received-other	26,340
Cash transferred to other funds	(215,004)
	(188,664)
<b>CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES:</b>	
Purchase of capital assets	(36,780)
Cash received from sale of capital assets	12,325
	(24,455)
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>	
Net change in investments	228,008
Interest received	5,758
	233,766
Change in cash and cash equivalents	(49,010)
Cash and cash equivalents - beginning	211,584
Cash and cash equivalents - ending	\$ 162,574
<b>RECONCILIATION OF OPERATING LOSS TO NET CASH PROVIDED USED OPERATING ACTIVITIES:</b>	
Operating loss	\$ (223,273)
Adjustment to reconcile operating loss to net cash used by operating activities:	
Depreciation	134,168
Increase in accounts receivable	(15,087)
Increase in compensated absences	34,535
	34,535
Net cash provided used operating activities	\$ (69,657)

DAWSON COUNTY  
STATEMENT OF NET POSITION  
FIDUCIARY FUNDS  
June 30, 2014

	External Investment Trust Fund	Agency Funds
<b>ASSETS</b>		
Cash and cash equivalents	\$ 2,935,053	\$ 674,174
Investments	7,332,726	-
Taxes and assessments receivable	-	358,877
	10,267,779	\$ 1,033,051
<b>LIABILITIES</b>		
Accounts payable	-	\$ 88,991
Due to other funds	-	10,000
Due to other governments:		
Special districts	-	36,394
State	-	219,328
Schools	-	483,842
Cities/towns	-	194,474
Other	-	22
	-	\$ 1,033,051
<b>NET POSITION</b>		
Held in trust	\$ 10,267,779	

DAWSON COUNTY  
STATEMENT OF CHANGES IN NET POSITION  
FIDUCIARY FUND  
For the Year Ended June 30, 2014

	<u>External Investment Trust Fund</u>
<b>ADDITIONS</b>	
Contribution to investment trust	<u>\$ 2,963,140</u>
Total contributions	<u>2,963,140</u>
Investment earnings:	
Interest	<u>67,107</u>
Total net investment earnings	<u>67,107</u>
Total additions	<u>3,030,247</u>
<b>DEDUCTIONS</b>	
Withdrawals	1,991,852
Administrative fees	<u>7,245</u>
Total deductions	<u>1,999,097</u>
Change in net position	1,031,150
Net position - beginning	<u>9,236,629</u>
Net position - ending	<u><u>\$ 10,267,779</u></u>

DAWSON COUNTY  
NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the government have been prepared in accordance with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (statements and interpretations).

The government's significant accounting policies are described below.

Reporting Entity

For financial reporting purposes, the government has included all funds, organizations, agencies, boards, commissions and authorities. The government has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the government are such that exclusion would cause the government's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. Based on the criteria established by the Governmental Accounting Standards Board, the government has no component units.

Related Organizations - The Board of County Commissioners is responsible for appointing members of the boards of other organizations, but the government's accountability for these organizations does not extend beyond making the appointments.

Government-wide and Fund Financial Statements

The government-wide financial statements (the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. Fiduciary funds are excluded from the government-wide financial statements.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or identifiable activity. Program revenues include 1) charges for services which report fees and other charges provided by a given function or identifiable activity 2) operating grants and contributions and 3) capital grants and contributions. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Fund financial statements are provided for governmental, proprietary and fiduciary funds. Major individual governmental funds and major individual enterprise funds are reported in separate columns in the fund financial statements. All remaining governmental and enterprise funds are aggregated and reported as nonmajor funds.

Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt and acquisitions under capital leases are reported as other financing sources.

Property taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been met. Entitlements and shared revenues are recorded at the time of receipt or earlier if the susceptible to accrual criteria are met. All other revenue items are considered to be measurable and available only when cash is received by the government.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the enterprise funds are charges to customers for sales and services. Operating expenses for

DAWSON COUNTY  
NOTES TO BASIC FINANCIAL STATEMENTS

enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, then unrestricted resources as they are needed.

The government reports the following major governmental funds:

The general fund is used to account for all financial resources, except those required by law or administrative action to be accounted for in another fund. The general fund is always reported as a major fund in the governmental fund statements.

Special revenue funds are used to account for the proceeds of specific revenue sources that are restricted by law or administrative action to expenditure for specific purposes other than debt service or capital projects. The following special revenue funds are reported as major:

The road fund accounts for resources accumulated from property taxes and state entitlement and payments made for the maintenance, repair and construction of county-owned roads.

The airport fund accounts for resources accumulated from property taxes, state entitlement and state and federal grants and payments made for the maintenance, repair and improvements of the county-owned airport.

The public safety fund accounts for resources accumulated from property taxes, state entitlement and charges for services and payments made for providing law enforcement and public safety services.

The metropolitan sewer dist. #1 fund accounts for assessments and grants and contributions and payments made for sanitary sewer services for the West Glendive area that is outside the city limits.

The federal mineral royalty fund accounts for resources accumulated from the State of Montana for mineral royalty payments. Payments made from the fund are at the discretion of the Board of County Commissioners.

The government reports the following major proprietary fund:

The regional prison fund accounts for the financial activities related to housing state prisoners.

Additionally, the government reports the following fund types:

The government's investment trust fund accounts for the external portion of the cash management pool, which represents resources that belong to legally separate entities.

Agency funds are custodial in nature and are used to account for assets that the government holds for others in an agency capacity.

#### Assets, Liabilities, Deferred Inflows and Net Position/Fund Balance

##### Cash and Investments

The County maintains and controls an investment pool consisting of funds belonging to the government and also of funds held by the County Treasurer belonging to legally separate entities, such as school districts, fire and water districts and other special districts. The investment pool is managed by the County Treasurer and overseen by the Board of County Commissioners. The County Treasurer is responsible for setting the investment policies for the pool, reviewing and monitoring investments to ensure the County's investment policies are met and ensuring investments are in compliance with State statute. School districts and other legally separate districts within the County hold their funds with the County Treasurer. The districts can, at their option, participate in the County's investment pool. 47 percent of the investment pool belongs to these districts.

Allowable investments include direct obligations of the United States Government, repurchase agreements, savings or time deposits in a state or national bank, building and loan associations, savings and loan associations, or credit unions insured by the FDIC, FSLIC, or NCUA and the State Short Term Investment Pool (STIP). STIP is classified as a 2a7-like pool, and as such, uses amortized cost to report unit values.

The pool unit value is fixed at \$1 for purchases and redemptions. Income is automatically reinvested in additional units. The government did not provide or obtain any legally binding guarantees to support the value of the units. Investments in the pool are reported at fair value. Fair value is determined annually, based on year-end market values. Short-term investments are reported at cost, which approximates fair value. Cash on hand, demand, savings and time deposits, STIP and short-term investments with original maturities of three months or less from the date of acquisition are considered cash equivalents.

DAWSON COUNTY  
NOTES TO BASIC FINANCIAL STATEMENTS

Investment income from the pool is allocated to individual funds of the County and to the external participants based on the fund or participant's cash and investment balance at the end of each month. The net change in fair value of the pool is also allocated to individual funds of the County and to the external participants based on the fund or participant's cash and investment balance at the end of the year.

The government charges a 5 percent administrative fee to all participants in the pool. The fee is deducted prior to distributing interest to the County funds and pool participants. The administrative fee charged during the year was \$7,245.

Receivables and Payables

In the fund financial statements, transactions between funds that are representative of lending/borrowing arrangements outstanding at the end of the year are referred to as either "due to/from other funds." Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

Receivables from and payables to external parties are reported separately and are not offset in the proprietary fund financial statements and business-type activities of the government-wide financial statements, unless a right of offset exists.

Most property taxes are levied in September of each fiscal year, based on assessments as of the prior January 1. Real property taxes are billed as of November 1 and are payable in two payments, November 30 and May 31. Unpaid taxes become delinquent on December 1 and June 1. Most personal property taxes are due and payable on January 1 and become delinquent February 1. Property taxes are maintained and collected by the County Treasurer. No allowance is made for uncollectible taxes as they are not considered significant.

Inventories and Prepaid Items

All inventories are valued at cost. In the governmental funds, the cost of inventories is recorded as expenditures at the time of purchase and is offset by non-spendable fund balance. Governmental activities record inventories as an expense when consumed. Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements.

Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items) are reported in the applicable governmental or business-type activities column in the government-wide financial statements. The government has elected not to report major infrastructure assets retroactively. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of three years. Buildings must have a cost greater than \$25,000. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Contributed capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Interest incurred during the construction phase of capital assets of enterprise funds is included as part of the capitalized value of the assets constructed. There was no capitalized interest for the year ended June 30, 2014.

Depreciation on capital assets is calculated on the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Infrastructure	25-50
Buildings and improvements	25-75
Machinery and equipment	4-15

Collections Not Capitalized

Certain collections of historic artifacts and works of art are not reported in the accompanying financial statements. These assets have not been capitalized because they meet all of the conditions that qualify them as collections that are not required to be capitalized. These conditions are the collections are held for public exhibition or education in the furtherance of public service, not held for financial gain; the collections are protected, kept unencumbered, cared for, and preserved; and any sale proceeds are expected to be used to acquire other items for the collections.

Compensated Absences

Liabilities associated with accumulated vacation and sick leave are accrued when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in the governmental funds only if they have matured, for example, as a result of employee resignations or retirements.

DAWSON COUNTY  
NOTES TO BASIC FINANCIAL STATEMENTS

Employees earn vacation leave ranging from 15 to 24 days per year depending on the individual's years of service. Accumulated vacation is restricted under State statute to a maximum accumulation of two times the amount earned annually. Sick leave is accumulated at 12 days per year with no limitations on the amount that may be accumulated. Upon retirement or resignation, an employee is eligible for 100 percent of the accumulated vacation leave and 25 percent of the accumulated sick leave.

Long-term Obligations

Long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. In the governmental fund financial statements, the face amount of debt issued is reported as other financing sources.

Deferred Inflows of Resources

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The government has only one type of item, which arises only under a modified accrual basis of accounting that qualifies for reporting in this category. Accordingly, the item, unavailable revenue, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from two sources: property taxes and special assessments. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

It is the government's policy to consider restricted - net position to have been depleted before unrestricted - net position is applied.

Net Position

In the government-wide statements, equity is classified as net position and displayed in three components:

Net investment in capital assets - consists of capital assets (net of accumulated depreciation), plus capital-related deferred outflows of resources, less capital-related borrowings and deferred inflows of resources.

Restricted - consists of net position with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.

Unrestricted - any portion of net position that does not meet the definition of "net investment in capital assets" or "restricted."

Proprietary fund equity is classified the same as in the government-wide statements.

Sometimes the government will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted - net position and unrestricted - net position in the government-wide and **proprietary fund** financial statements, a flow assumption must be made about the order in which the resources are considered to be applied.

Fund Balance

In the fund statements, governmental fund equity is classified as fund balance. The following classifications describe the relative strength of the spending constraints:

Nonspendable - amounts that cannot be spent either because they are in nonspendable form or because they are legally or contractually required to be maintained intact.

Restricted - amounts that can be spent only for specific purposes because of constitutional provisions or enabling legislation or because of constraints that are externally imposed by creditors, grantors, contributors, or the laws or regulations of other governments.

Committed fund balance - amounts constrained to specific purposes by the government itself, using its highest level of decision-making authority (i.e., governing body). The government establishes (and modifies or rescinds) fund balance commitments by passage of a resolution. To be reported as committed, amounts cannot be used for any other purpose unless the government takes the same highest level action to remove or change the constraint.

Assigned fund balance - amounts the government intends to use for a specific purpose. Intent can be expressed by the governing body or by an official or body to which the governing body delegates the authority.

Unassigned fund balance - amounts that are available for any purpose. Positive amounts are reported only in the general fund.

DAWSON COUNTY  
NOTES TO BASIC FINANCIAL STATEMENTS

The governing body has by resolution authorized the Clerk and Recorder, in conjunction with the County Commissioners to assign fund balance. There was no assigned fund balance in the general fund,

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the government considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the government considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed, unless the governing body has provided otherwise in its commitment or assignment actions.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

NOTE 3. DETAILED NOTES ON ALL FUNDS

Cash and Cash Equivalents and Investments

The government's cash, cash equivalents and investments are reported as follows:

Governmental activities	\$ 10,144,223
Business-type activities	568,737
Fiduciary funds	<u>10,941,953</u>
	<u>\$ 21,654,913</u>

Total carrying value of cash, cash equivalents and investments as of June 30, 2014, consisted of the following:

	Cash/Cash Equivalents	Investments	Total
Cash on hand	\$ 2,300	\$ -	\$ 2,300
Cash in banks:			
Demand deposits	1,003,955	-	1,003,955
Savings deposits	5,338,349	-	5,338,349
Fiscal agents	10,000	-	10,000
U.S. Government securities	-	14,983,377	14,983,377
Short-term Investment Program (STIP)	<u>316,932</u>	-	<u>316,932</u>
	<u>\$ 6,671,536</u>	<u>\$ 14,983,377</u>	<u>\$ 21,654,913</u>

*Custodial Credit Risk—Deposits.* Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The government does not have a deposit policy for custodial credit risk. As of June 30, 2014, \$7,419,473 of the government's bank balance of \$7,929,473 was exposed to custodial credit risk as follows:

Uninsured and collateral held by the pledging bank's trust department not in the government's name	<u>\$ 7,419,473</u>
--	---------------------

State statutes require that the government obtain securities for the uninsured portion of deposits as follows: 1.) securities equal to 50% of such deposits if the institution in which the deposits are made has a net worth to total assets ratio of 6% or more, or 2.) 100% if the ratio of net worth to total assets is less than 6%. State statutes do not specify in whose custody or name the collateral is to be held. The amount of collateral held for the government's deposits as of June 30, 2014, exceeded the amount required by state statute.

DAWSON COUNTY  
NOTES TO BASIC FINANCIAL STATEMENTS

The investment pool portfolio as of June 30, 2014 is listed below. The security type percentage is based on the book value ratio of the specific security investment type to the total portfolio.

Security Name	Coupon	Maturity	Par	Book Value	Fair Value	Percentage
U.S. Government securities	.5 to 1.20%	Various	\$ 14,985,000	<u>\$ 14,983,377</u>	<u>\$ 14,916,769</u>	100.00%

*Interest Rate Risk.* The government does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. However, under state statute, an investment may not have a maturity date exceeding 5 years, except when the investment is used in an escrow account to refund an outstanding bond issue in advance.

*Credit Risk.* Allowable investments include direct obligations of the United States Government, repurchase agreements, savings or time deposits in a state or national bank, building and loan associations, savings and loan associations, or credit unions insured by the FDIC, FSLIC, or NCUA and the State Short Term Investment Pool (STIP). STIP is classified as a 2a7-like pool, and as such, uses amortized cost to report unit values. The government has no investment policy that would further limit its investment choices. The Short-Term Investment Pool (STIP) maintained by the State of Montana has certain investments in derivatives. GASB requires the nature of the underlying securities and market, credit and legal risks be disclosed. Reference to the audit of the State of Montana would identify the level of risk associated with STIP.

Investments made by the government are summarized below. The investments that are represented by specific identifiable investment securities are categorized in the following manner: Category 1-Insured or registered, with securities held by the government or its agent in the government's name; Category 2-Uninsured and unregistered, with securities held by the counterparty's trust department or agent in the government's name; Category 3-Uninsured and unregistered, with securities held by the counterparty, or by its trust department or agent but not in the government's name.

	Custodial Credit Risk Category			Carrying Amount	Fair Value**
	1	2	3		
U.S. Government securities	<u>\$ 1,000,000</u>	<u>\$ -</u>	<u>\$ 13,983,377</u>	\$ 14,983,377	\$ 14,916,769
Uncategorized: STIP				<u>316,932</u>	<u>316,932</u>
				<u>\$ 15,300,309</u>	<u>\$ 15,233,701</u>

\*\* Fair value is not reflected in the financial statements

Following is the condensed schedule of changes in net position and net position for the investment pool for the year ended June 30, 2014:

	Internal	External	Total
Net assets - beginning of year	\$ 10,579,737	\$ 9,236,629	\$ 19,816,366
Contributions from participants	3,332,046	2,963,140	6,295,186
Investment earnings	77,872	67,107	144,979
Fees	-	(7,245)	(7,245)
Distributions to participants	<u>(2,602,521)</u>	<u>(1,991,852)</u>	<u>(4,594,373)</u>
Net assets - end of year	<u>\$ 11,387,134</u>	<u>\$ 10,267,779</u>	<u>\$ 21,654,913</u>

DAWSON COUNTY  
NOTES TO BASIC FINANCIAL STATEMENTS

Capital Assets

Capital asset activity for the year ended June 30, 2014, was as follows:

	Balance July 1, 2013	Additions	Deletions	Balance June 30, 2014
Governmental activities:				
Capital assets, not being depreciated				
Land	\$ 583,974	\$ 637	\$ -	\$ 584,611
Construction-in-progress	128,616	385,876	-	514,492
Total capital assets, not being depreciated	<u>712,590</u>	<u>386,513</u>	<u>-</u>	<u>1,099,103</u>
Capital assets, being depreciated				
Buildings/improvements	6,218,000	123,743	-	6,341,743
Improvements other than buildings	22,448	-	-	22,448
Machinery and equipment	5,584,904	1,014,174	(601,760)	5,997,318
Infrastructure	5,073,950	-	-	5,073,950
Total capital assets, being depreciated	<u>16,899,302</u>	<u>1,137,917</u>	<u>(601,760)</u>	<u>17,435,459</u>
Less accumulated depreciation for:				
Buildings/improvements	(2,166,496)	(115,052)	-	(2,281,548)
Improvements other than buildings	(2,320)	(898)	-	(3,218)
Machinery and equipment	(3,217,450)	(387,432)	343,561	(3,261,321)
Infrastructure	(1,114,385)	(204,294)	-	(1,318,679)
Total accumulated depreciation	<u>(6,500,651)</u>	<u>(707,676)</u>	<u>343,561</u>	<u>(6,864,766)</u>
Total capital assets, being depreciated, net	<u>10,398,651</u>	<u>430,241</u>	<u>(258,199)</u>	<u>10,570,693</u>
Governmental activities capital assets, net	<u>\$ 11,111,241</u>	<u>\$ 816,754</u>	<u>\$ (258,199)</u>	<u>\$ 11,669,796</u>
	Balance July 1, 2013	Additions	Deletions	Balance June 30, 2014
Business-type activities:				
Capital assets, not being depreciated				
Land	\$ 24,985	\$ -	\$ -	\$ 24,985
Total capital assets, not being depreciated	<u>24,985</u>	<u>-</u>	<u>-</u>	<u>24,985</u>
Capital assets, being depreciated				
Buildings/improvements	7,590,135	-	-	7,590,135
Machinery and equipment	230,423	36,780	(24,292)	242,911
Total capital assets, being depreciated	<u>7,820,558</u>	<u>36,780</u>	<u>(24,292)</u>	<u>7,833,046</u>
Less accumulated depreciation for:				
Buildings/improvements	(1,424,001)	(109,599)	-	(1,533,600)
Machinery and equipment	(115,274)	(24,569)	22,943	(116,900)
Total accumulated depreciation	<u>(1,539,275)</u>	<u>(134,168)</u>	<u>22,943</u>	<u>(1,650,500)</u>
Total capital assets, being depreciated, net	<u>6,281,283</u>	<u>(97,388)</u>	<u>(1,349)</u>	<u>6,182,546</u>
Business-type activities capital assets, net	<u>\$ 6,306,268</u>	<u>\$ (97,388)</u>	<u>\$ (1,349)</u>	<u>\$ 6,207,531</u>

DAWSON COUNTY  
NOTES TO BASIC FINANCIAL STATEMENTS

Depreciation expense was charged as follows:

Governmental activities:	
General government	\$ 84,141
Public safety	111,508
Public works	459,933
Public health	7,689
Social and economic	22,647
Culture and recreation	<u>21,758</u>
Total depreciation-governmental activities	<u>\$ 707,676</u>
Business-type activities:	
Regional Prison	<u>\$ 134,168</u>

Interfund Receivables, Payables and Transfers

Interfund balances as of June 30, 2014, consisted of the Airport Capital Improvement fund owing the Federal Mineral Royalty fund \$4,694. Additionally, the Flexible Benefits fund (a fiduciary fund) owed the Health Insurance fund (a governmental fund) \$10,000. The balance due to the Health Insurance fund from the Flexible Benefits fund resulted from loans made to establish working capital. The interfund receivables/payables are not expected to be repaid in the following fiscal year. A 10 year repayment schedule has been established for the loan repayment by the Airport Capital Improvement fund, with \$4,694 due in fiscal year 2014. Additionally, the Federal Mineral Royalty fund loaned the Metropolitan Sewer Dist. #1 fund \$105,564. The loan was made to cover a cash deficit and is expected to be repaid in fiscal year 2015.

Interfund transfers consisted of the following:

	Transfer In	Transfer Out	Total
Governmental activities:			
General	\$ 85,242	\$ (245,166)	\$ (159,924)
Public safety	137,004	-	137,004
Metropolitan Sewer Dist. #1	397,465	-	397,465
Federal mineral royalty	26,000	-	26,000
Nonmajor governmental funds	610,129	(795,670)	(185,541)
	<u>\$ 1,255,840</u>	<u>\$ (1,040,836)</u>	<u>\$ 215,004</u>
Business-type activities:			
Regional Prison	<u>\$ -</u>	<u>\$ (215,004)</u>	<u>\$ (215,004)</u>

Transfers were made in accordance with budgetary authorizations, grant matching and to fund future capital improvements.

Long-Term Debt

Notes payable outstanding, as of June 30, 2014, are as follows:

	Issue Date	Original Amount	Term	Interest Rate	Governmental Activities
Courthouse improvements	July 2012	\$ 621,800	10 yrs	3.10%	\$ 525,074
Graders	June 2014	401,800	3 yrs	2.05%	<u>401,800</u>
					<u>\$ 926,874</u>

DAWSON COUNTY  
NOTES TO BASIC FINANCIAL STATEMENTS

Annual debt service requirements to maturity for notes payable are as follows:

Year ending June 30,	Governmental Activities		
	Principal	Interest	Total
2015	\$ 202,576	\$ 16,000	\$ 218,576
2016	199,391	19,185	218,576
2017	204,245	14,331	218,576
2018	72,450	9,389	81,839
2019	74,714	7,125	81,839
2020-2022	173,498	7,452	180,950
	<u>\$ 926,874</u>	<u>\$ 73,482</u>	<u>\$ 1,000,356</u>

Long-term liability activity for the year ended June 30, 2014, was as follows:

	Balance July 1, 2013	Additions	Retirements	Balance June 30, 2014	Due Within One Year
Governmental activities:					
Notes payable	\$ 585,281	\$ 401,800	\$ (60,207)	\$ 926,874	\$ 202,576
Compensated absences	507,913	27,683	-	535,596	53,560
	<u>\$ 1,093,194</u>	<u>\$ 429,483</u>	<u>\$ (60,207)</u>	<u>\$ 1,462,470</u>	<u>\$ 256,136</u>
Business-type activities:					
Compensated absences	\$ 275,295	\$ 34,535	\$ -	\$ 309,830	\$ 30,983
	<u>\$ 275,295</u>	<u>\$ 34,535</u>	<u>\$ -</u>	<u>\$ 309,830</u>	<u>\$ 30,983</u>

For the governmental activities, compensated absences are generally liquidated by the fund the employee is paid from. Notes payable are liquidated by the Airport fund.

Conduit Debt

To provide for the acquisition of medical equipment for the Glendive Medical Center, Inc. (GMC), the County issued Medical Equipment Revenue Bonds amounting to \$1.9 million in July 2008. These bonds are special limited obligations of the County payable solely from and secured by a pledge of GMC revenues. The bonds do not constitute a debt or pledge of the faith and credit of the County or the State, and accordingly have not been reported in the accompanying financial statements. As of June 30, 2014, the amount of Medical Equipment Revenue Bonds outstanding is not available.

NOTE 4. OTHER INFORMATION

Risk Management

The government is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; professional liability (i.e., errors and omissions); workers compensation (i.e., employee injuries); medical insurance costs; and environmental damages. A variety of methods is used to provide insurance for these risks. Policies, transferring all risks of loss, except for relatively small deductible amounts, are purchased for theft, damage or destruction of assets, professional liabilities and employee medical costs. The government participates in a state-wide public risk pool, MACO, for workers' compensation coverage. The government pays monthly premiums for its employee injury insurance coverage. The agreement for formation of the pool provides that it will be self-sustaining through member premiums. There are no deductibles or maximum coverage limits in the plan. The government also participates in MACO's Joint Powers Insurance Authority which offers insurance for other risks of loss. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years. Given lack of coverage available, the government has no coverage for potential losses from environmental damages.

DAWSON COUNTY  
NOTES TO BASIC FINANCIAL STATEMENTS

Interlocal Agreement

The County and the City of Glendive have a signed agreement whereby the City provides 911 dispatch services. During 2014, the County contributed approximately \$61,000 for these services.

Economic Dependency

Approximately forty percent of the government's taxable value consists of ten taxpayers.

Commitments and Contingencies

At year-end, the government had commitments outstanding, in the form of contracts, of approximately \$297,000, primarily for construction projects and purchased services.

Amounts received or receivable from grant agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures that may be disallowed by the grantor cannot be determined at this time, although the government expects such amounts, if any to be immaterial.

The government is a defendant in various lawsuits. Although the outcome of these lawsuits is not presently determinable, in the opinion of the government's counsel the resolution of these matters will not have a material adverse effect on the financial condition of the government.

Retirement Plans

The government participates in two statewide mandatory cost-sharing multiple employer defined benefit retirement plans. The Sheriff's Retirement System (SRS) covers the County Sheriff, Undersheriff and Deputy Sheriffs of the County. The Public Employees Retirement System (PERS) covers other County employees. The Teachers' Retirement System (TRS) covers the county superintendent. The plans are established by State law and are administered by the State of Montana. The plans provide retirement, disability, and death benefits to plan members and beneficiaries.

The plans issue a publicly available financial report that include financial statements and required supplementary information. The reports may be obtained from the Public Employees' Retirement Board, 100 North Park, P.O. Box 200131, Helena, Montana 59620-0131, telephone (406) 444-3154.

Contribution rates for the plans are required and determined by State law. The contribution rates, expressed as a percentage of covered payroll, were as follows:

	<u>Employer</u>	<u>Employee</u>	<u>Total</u>
SRS	10.115%	9.245%	19.360%
TRS:			
Tier 1 member	8.470%	8.150%	16.620%
Tier 2 member	8.470%	8.150%	16.620%
PERS	8.070%	7.900%	15.970%

TRS:

A "tier 1 member" is a person who became a member before July 1, 2013 and who has not withdrawn his/her account balance. A "tier 2 member" is a person who became a member on or after July 1, 2013 or who, after withdrawing his/her account balance, became a member again on or after July 1, 2013. Effective July 1, 2013, the Tier 1 member supplemental contribution may be decreased, and a Tier 2 member may be required to contribute a supplemental contribution, under circumstances described in Section 19-20-608, MCA. Also, the employer supplemental contribution may be decreased under circumstances described in Section 19-20-609, MCA.

PERS:

On January 1 following an actuarial valuation, the employee contribution rate will be reduced to 6.9%, and the additional contributions by the employer (1%) and the State of Montana will terminate, if the actuarial valuation determines that these reductions and terminations would not cause the amortization period to exceed 25 years. Effective July 1, 2013, retired members who return to active service are subject to the above employee, employer, and state contributions. For retired members who return to work in a covered position, but who have not become active members, the employer and state shall contribute the amounts specified in Sections 19-3-316 and 319. (MCA 19-3-1113)

The State of Montana contributes .1% and 2.49% per year to the PERS and TRS plans, respectively, on behalf of the employer. The State of Montana contribution has not been recorded in the financial statements.

DAWSON COUNTY  
NOTES TO BASIC FINANCIAL STATEMENTS

The amounts contributed to the plans during the years ended June 30, 2014, 2013 and 2012 were equal to the required contributions for each year. The amounts contributed by both the government and its employees (including additional voluntary contributions by employees as permitted by State law) were as follows:

	2014	2013	2012
SRS	\$ 407,388	\$ 351,674	\$ 346,583
TRS	12,031	10,728	10,411
PERS	580,536	477,838	468,316
	\$ 999,955	\$ 840,240	\$ 825,310

Future Implementation of GASB Pronouncements

The GASB has issued the following pronouncements:

Statement No. 68 - Accounting and Financial Reporting for Pensions—an amendment of GASB Statement No. 27. Effective Date: The provisions of Statement 68 are effective for fiscal years beginning after June 15, 2014.

Statement No. 71 - Pension Transition for Contributions Made Subsequent to the Measurement Date—an amendment of GASB Statement No. 68 Effective Date: The provisions of this Statement should be applied simultaneously with the provisions of Statement 68.

REQUIRED SUPPLEMENTARY INFORMATION

DAWSON COUNTY  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL  
General Fund  
For the Year Ended June 30, 2014

	Budgeted Amounts		Actual
	Original	Final	
<b>REVENUES</b>			
Taxes/assessments	\$ 1,272,388	\$ 1,272,388	\$ 1,682,898
Fines and forfeitures	95,500	95,500	121,658
Licenses and permits	-	-	1,750
Intergovernmental	474,564	502,514	757,792
Charges for services	492,776	492,776	490,159
Investment earnings	10,000	10,000	58,773
Miscellaneous	24,000	24,000	38,903
<b>Total revenues</b>	<b>2,369,228</b>	<b>2,397,178</b>	<b>3,151,933</b>
<b>EXPENDITURES</b>			
Current:			
General government	1,886,474	1,906,036	1,620,681
Public safety	109,061	127,941	110,698
Public works	234,330	234,330	204,615
Public health	764,825	764,823	587,715
Social and economic services	106,813	116,419	105,506
Culture and recreation	126,185	129,496	115,705
Other current charges	1,000	1,000	-
Debt service:			
Principal	60,207	60,207	60,207
Interest and other charges	21,632	21,632	21,632
Capital outlay	131,000	91,198	70,566
<b>Total expenditures</b>	<b>3,441,527</b>	<b>3,453,082</b>	<b>2,897,325</b>
Excess (deficiency) of revenues over expenditures	(1,072,299)	(1,055,904)	254,608
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers in	78,000	78,000	85,242
Transfers out	(250,000)	(266,393)	(225,166)
<b>Total other financing sources (uses)</b>	<b>(172,000)</b>	<b>(188,393)</b>	<b>(139,924)</b>
<b>Net change in fund balance</b>	<b>\$ (1,244,299)</b>	<b>\$ (1,244,297)</b>	<b>114,684</b>
Fund balance - beginning			<u>2,369,759</u>
Fund balance - ending			<u>\$ 2,484,443</u>

DAWSON COUNTY  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL  
Road Fund  
For the Year Ended June 30, 2014

	Budgeted Amounts		Actual
	Original	Final	
<b>REVENUES</b>			
Taxes/assessments	\$ 502,202	\$ 502,202	\$ 492,579
Intergovernmental	559,249	559,249	658,983
Charges for services	-	-	1,078
Miscellaneous	-	-	12,690
<b>Total revenues</b>	<b>1,061,451</b>	<b>1,061,451</b>	<b>1,165,330</b>
<b>EXPENDITURES</b>			
Current:			
General government	1,240	1,240	80
Public works	1,260,095	938,397	923,910
Capital outlay	130,000	451,700	401,800
<b>Total expenditures</b>	<b>1,391,335</b>	<b>1,391,337</b>	<b>1,325,790</b>
Excess (deficiency) of revenues over expenditures	(329,884)	(329,886)	(160,460)
<b>OTHER FINANCING SOURCES</b>			
Long-term debt issued	-	-	401,800
Sale of capital assets	90,000	90,000	33,880
<b>Total other financing sources</b>	<b>90,000</b>	<b>90,000</b>	<b>435,680</b>
<b>Net change in fund balance</b>	<b>\$ (239,884)</b>	<b>\$ (239,886)</b>	<b>275,220</b>
Fund balance - beginning			647,777
Change in inventory			11,390
<b>Fund balance - ending</b>			<b>\$ 934,387</b>

DAWSON COUNTY  
 SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
 BUDGET AND ACTUAL  
 Airport Fund  
 For the Year Ended June 30, 2014

	Budgeted Amounts		Actual
	Original	Final	
<b>REVENUES</b>			
Taxes/assessments	\$ 124,177	\$ 124,177	\$ 121,811
Intergovernmental	311,243	492,485	508,504
Charges for services	125,000	125,000	133,419
Miscellaneous	4,800	4,800	9,935
Total revenues	<u>565,220</u>	<u>746,462</u>	<u>773,669</u>
<b>EXPENDITURES</b>			
Current:			
Public works	258,151	240,925	534,278
Debt service:			
Principal	4,500	4,500	-
Interest and other charges	550	550	346
Capital outlay	<u>300,000</u>	<u>482,520</u>	<u>183,242</u>
Total expenditures	<u>563,201</u>	<u>728,495</u>	<u>717,866</u>
Net change in fund balance	<u>\$ 2,019</u>	<u>\$ 17,967</u>	55,803
Fund balance - beginning			171,802
Change in inventory			<u>(9,278)</u>
Fund balance - ending			<u>\$ 218,327</u>

DAWSON COUNTY  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL  
Public Safety Fund  
For the Year Ended June 30, 2014

	Budgeted Amounts		Actual
	Original	Final	
<b>REVENUES</b>			
Taxes/assessments	\$ 595,010	\$ 595,010	\$ 587,733
Intergovernmental	310,334	358,154	413,919
Charges for services	113,000	113,000	142,513
Investment earnings	-	-	4,585
Miscellaneous	20,000	20,000	14,543
<b>Total revenues</b>	<b>1,038,344</b>	<b>1,086,164</b>	<b>1,163,293</b>
<b>EXPENDITURES</b>			
Current:			
Public safety	1,415,336	1,464,370	1,305,630
Capital outlay	55,500	54,285	6,491
<b>Total expenditures</b>	<b>1,470,836</b>	<b>1,518,655</b>	<b>1,312,121</b>
Excess (deficiency) of revenues over expenditures	(432,492)	(432,491)	(148,828)
<b>OTHER FINANCING SOURCES</b>			
Sale of capital assets	-	-	2,175
Transfers in	189,077	189,077	137,004
<b>Total other financing sources</b>	<b>189,077</b>	<b>189,077</b>	<b>139,179</b>
<b>Net change in fund balance</b>	<b>\$ (243,415)</b>	<b>\$ (243,414)</b>	<b>(9,649)</b>
Fund balance - beginning			666,693
Fund balance - ending			<b>\$ 657,044</b>

DAWSON COUNTY  
 SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
 BUDGET AND ACTUAL  
 Metropolitan Sewer Dist. #1 Fund  
 For the Year Ended June 30, 2014

	Budgeted Amounts		Actual
	Original	Final	
EXPENDITURES			
Current:			
Public works	\$ -	\$ -	\$ 105,564
Capital outlay	-	397,465	-
Total expenditures	-	397,465	105,564
Excess (deficiency) of revenues over expenditures	-	(397,465)	(105,564)
OTHER FINANCING SOURCES			
Transfers in	-	397,465	397,465
Total other financing sources	-	397,465	397,465
Net change in fund balance	\$ -	\$ -	291,901
Fund balance - beginning			-
Fund balance - ending			\$ 291,901

DAWSON COUNTY  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL  
Federal Mineral Royalty Fund  
For the Year Ended June 30, 2014

	Budgeted Amounts		Actual
	Original	Final	
<b>REVENUES</b>			
Intergovernmental	\$ -	\$ -	\$ 330,897
Investment earnings	-	-	345
Total revenues	-	-	331,242
<b>EXPENDITURES</b>			
Current:			
General government	-	-	6,834
Public works	-	7,946	-
Housing and community development	-	21,078	920
Other current charges	-	11,690	2,000
Capital outlay	-	245,023	172,419
Total expenditures	-	285,737	182,173
Excess (deficiency) of revenues over expenditures	-	(285,737)	149,069
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers in	26,000	26,000	26,000
Transfers out	(751,000)	(465,263)	-
Total other financing sources (uses)	(725,000)	(439,263)	26,000
Net change in fund balance	\$ (725,000)	\$ (725,000)	175,069
Fund balance - beginning			984,603
Fund balance - ending			\$ 1,159,672

DAWSON COUNTY  
NOTE TO REQUIRED SUPPLEMENTARY INFORMATION  
For the Year Ended June 30, 2014

BUDGETARY INFORMATION

Money may not be disbursed, expended or obligated except pursuant to an appropriation for which working capital is or will be available. The final budget is legally enacted by the governing body by the first Thursday after the first Tuesday in September or within 30 calendar days of receiving certified taxable values from the department of revenue, after holding public hearings as required by state statute. Budgeted fund expenditures/expenses are limited by state law to budgeted amounts. Budgets may be amended for circumstances described by state law. The budgeted amounts as shown in the financial statements are as originally adopted or as revised by legal budget transfers and amendments, if applicable. All appropriations, except for construction-in-progress, lapse at year-end. The government does not utilize a formal encumbrance accounting system.

OTHER SUPPLEMENTARY INFORMATION

DAWSON COUNTY  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
For the Year Ended June 30, 2014

Federal Grantor/Pass-through Grantor/Program or Cluster Title	Federal CFDA Number	Award/Pass- through Grantor's Number	Program or Award Amount	Balance July 1, 2013	Receipts	Expenditures/ Disbursed	Returned to Grantor/ Other	Balance June 30, 2014
<b>U.S. Department of Transportation:</b>								
Direct Program:								
Airport Improvement Program	20.106	DOT-FA14NM-2024	\$ 426,240	\$ -	\$ -	\$ 165,293	\$ -	\$ (165,293)
Airport Improvement Program	20.106	DOT-FA13NM-2025	52,178	-	26,491	26,391	(100)	-
Airport Improvement Program	20.106	DOT-FA13NM-2024	260,774	-	257,723	257,314	(409)	-
Total direct program				-	284,214	448,998	(509)	(165,293)
Passed through Healthy Mothers, Healthy Babies the Montana Coalition:								
State and Community Highway Safety	20.600	106699	20,098	(3,312)	8,668	3,412	(1,944)	-
State and Community Highway Safety	20.600	107253	18,445	-	9,402	11,694	-	(2,292)
Subtotal				(3,312)	18,070	15,106	(1,944)	(2,292)
Total U.S. Department of Transportation				(3,312)	302,284	464,104	(2,453)	(167,585)
<b>Corporation for National and Community Service:</b>								
Direct Program:								
Retired and Senior Volunteer Program	94.002	12SRPMT005	31,692	-	31,692	31,692	-	-
Total Corporation for National and Community Service				-	31,692	31,692	-	-
<b>U.S. Department of Justice:</b>								
Direct Program:								
Public Safety Partnership and Community Policing Grants	16.710	2010UMWX0183	199,556	9,410	46,532	6,113	-	49,829
Subtotal				9,410	46,532	6,113	-	49,829
Passed through the Montana Board of Crime Control: Edward Byrne Memorial Justice Assistance Grant Program								
	16.738	11-G06-91606	15,000	-	-	-	-	-
Subtotal				-	-	-	-	-
Total U.S. Department of Justice				9,410	46,532	6,113	-	49,829
<b>U.S. Department of Homeland Security:</b>								
Passed through Montana Department of Military Affairs-Disaster & Emergency Services Division:								
Homeland Security Grant Program	97.067	EMW-2013-SS-00064	70,433	-	-	-	-	-
Homeland Security Grant Program	97.067	EMW-2013-SS-00064	47,820	-	47,820	46,315	(1,505)	-
Homeland Security Grant Program	97.067	EMW-2011-SS-00052	70,600	(70,213)	70,213	-	-	-
Subtotal				(70,213)	118,033	46,315	(1,505)	-
Emergency Management Performance Grants	97.042	EMW-2013-EP-00044-S01	40,329	-	10,177	27,216	-	(17,039)
Emergency Management Performance Grants	97.042	EMW-2012-SS-00143-S01	42,041	(11,734)	21,970	10,236	-	-
Subtotal				(11,734)	32,147	37,452	-	(17,039)
Disaster Grants-Public Assistance	97.036	FEMA-4127-DR-MT	64,314	-	40,000	64,314	-	(24,314)
Disaster Grants-Public Assistance	97.036	FEMA-1996-DR-MT	976,774	(48,304)	-	-	-	(48,304)
Subtotal				(48,304)	40,000	64,314	-	(72,618)
Pre-Disaster Mitigation	97.047	DR-1996-P-19-P	91,800	-	17,425	20,487	-	(3,062)
Subtotal				-	17,425	20,487	-	(3,062)
Total U.S. Department of Homeland Security				(130,251)	207,605	168,568	(1,505)	(92,719)

DAWSON COUNTY  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
For the Year Ended June 30, 2014

Federal Grantor/Pass-through Grantor/Program or Cluster Title	Federal CFDA Number	Award/Pass- through Grantor's Number	Program or Award Amount	Balance July 1, 2013	Receipts	Expenditures/ Disbursed	Returned to Grantor/ Other	Balance June 30, 2014
<b>U.S. Department of Health and Human Services:</b>								
Passed through the Montana Department of Public Health and Human Services:								
Maternal and Child Health Services Block Grant to the States	93.994	13-07-5-11-005-0	833	-	833	833	-	-
Maternal and Child Health Services Block Grant to the States	93.994	14-07-5-01-011-0	9,107	-	7,286	9,107	-	(1,821)
Subtotal				-	8,119	9,940	-	(1,821)
Immunization Grants	93.268	14-07-4-31-011-0	4,778	-	1,195	1,709	514	-
Immunization Grants	93.268	13-07-4-31-111-0	4,778	-	2,389	2,703	314	-
Subtotal				-	3,584	4,412	828	-
PPHF Capacity Building Assistance to Strengthen Public Health Immunization Infrastructure and Performance	93.539	14-07-4-31-158-0	12,600	-	9,450	8,430	(1,020)	-
Subtotal				-	9,450	8,430	(1,020)	-
Family Planning Services	93.217	13-07-5-11-005-0	57,842	(1,532)	1,532	-	-	-
Family Planning Services	93.217	13-07-5-11-005-0	51,457	-	51,457	51,457	-	-
Subtotal				(1,532)	52,989	51,457	-	-
Affordable Care Act (ACA) Maternal, Infant, and Early Childhood Home Visiting Program	93.505	14-07-5-01-087-0	50,878	-	12,720	-	-	12,720
Affordable Care Act (ACA) Maternal, Infant, and Early Childhood Home Visiting Program	93.505	13-07-5-31-025-0	144,290	38,268	44,409	54,457	-	28,220
Subtotal				38,268	57,129	54,457	-	40,940
Public Health Emergency Preparedness	93.069	13-07-6-11-015-0	39,544	(8,899)	8,899	-	-	-
Public Health Emergency Preparedness	93.069	14-07-6-11-015-0	33,417	-	23,281	33,417	-	(10,136)
Subtotal				(8,899)	32,180	33,417	-	(10,136)
Passed through Montana Children's Trust Fund:								
Community-Based Child Abuse Prevention Grants	93.590	20133CTFS0004	15,000	-	15,000	15,000	-	-
Community-Based Child Abuse Prevention Grants	93.590	20133CTFS0004	15,000	(180)	180	-	-	-
Subtotal				(180)	15,180	15,000	-	-
Passed through Action for Eastern Montana:								
Aging Cluster:								
Special Programs for the Aging-								
Title III, Part B-Grants for Supportive Services and Senior Centers	93.044	2013-001-04	16,466	(1,083)	1,083	-	-	-
Title III, Part B-Grants for Supportive Services and Senior Centers	93.044	2014-001-04	16,829	-	11,219	11,219	-	-
Title III, Part C-Nutrition Services	93.045	2014-001-04	29,182	-	19,456	19,456	-	-
Title III, Part C-Nutrition Services	93.045	2013-001-04	34,474	(3,995)	3,995	-	-	-
Aging Cluster Subtotal				(5,078)	35,753	30,675	-	-
Special Programs for the Aging-								
Title III, Part D-Disease Prevention and Health Promotion Services	93.043	2013-001-04	1,642	(248)	248	-	-	-
Title III, Part D-Disease Prevention and Health Promotion Services	93.043	2014-001-04	1,369	-	913	913	-	-
Subtotal				(248)	1,161	913	-	-
National Family Caregiver Support, Title III, Part E	93.052	2013-001-04	5,468	(487)	487	-	-	-
National Family Caregiver Support, Title III, Part E	93.052	2014-001-04	4,742	-	883	883	-	-
Subtotal				(487)	1,370	883	-	-
<b>Total U.S. Department of Health and Human Services</b>				<b>21,844</b>	<b>216,915</b>	<b>209,584</b>	<b>(192)</b>	<b>28,983</b>

DAWSON COUNTY  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
For the Year Ended June 30, 2014

Federal Grantor/Pass-through Grantor/Program or Cluster Title	Federal CFDA Number	Award/Pass- through Grantor's Number	Program or Award Amount	Balance July 1, 2013	Receipts	Expenditures/ Disbursed	Returned to Grantor/ Other	Balance June 30, 2014
<u>U.S. Department of Housing and Urban Development:</u>								
Passed through Montana Department of Commerce:								
Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii	14.228	MT-CDBG-13PL-18	30,000	-	-	-	-	-
Total U.S. Department of Housing and Urban Development				-	-	-	-	-
<u>U.S. Department of Agriculture:</u>								
Passed through Montana Department of Public Health and Human Services:								
Special Supplemental Nutrition Program for Women, Infants and Children	10.557	14-07-5-21-005-0	34,489	-	12,290	23,281	39	(10,952)
Special Supplemental Nutrition Program for Women, Infants and Children	10.557	13-07-5-21-005-0	36,392	(5,746)	17,937	5,716	(6,475)	-
Special Supplemental Nutrition Program for Women, Infants and Children	10.557	12-07-5-21-005-0	42,045	5,340	-	-	(5,340)	-
Total U.S. Department of Agriculture				(406)	30,227	28,997	(11,776)	(10,952)
Total Federal Awards				<u>\$ (102,715)</u>	<u>\$ 835,255</u>	<u>\$ 909,058</u>	<u>\$ (15,926)</u>	<u>\$ (192,444)</u>

Note to Schedule of Expenditures of Federal Awards

NOTE A - BASIS OF ACCOUNTING

The accompanying schedule of expenditures of federal awards is a summary of cash receipts and federal expenditures related to the County's federal award programs. This schedule is presented in accordance with grant terms and conditions, which are not on the accrual basis of accounting as contemplated by generally accepted accounting principles.

DAWSON COUNTY  
SUMMARY SCHEDULE OF PRIOR YEAR FEDERAL  
AWARD FINDINGS AND QUESTIONED COSTS

2013-11. DISASTER GRANTS – PUBLIC ASSISTANCE, CFDA No. 97.036, GRANT No. FEMA-1996-DR-MT

Criteria: Per OMB Circular A-87, *COST PRINCIPLES FOR STATE, LOCAL, AND INDIAN TRIBAL GOVERNMENTS*, the total cost of Federal awards is comprised of the allowable direct costs of the program. Direct costs are those that can be identified specifically with a particular final cost objective.

Condition: Program expenditures were not separately identified in the general ledger.

Questioned Costs: \$57,944.

Cause: Unknown.

Effect: Non-compliance with program terms and conditions and OMB Circular A-87.

Recommendation: On future disaster programs, grant program expenditures should be separately identified in the general ledger.

Current Status: Implemented

2013-12. ALL MAJOR PROGRAMS

Criteria: The auditors were engaged to assist in the preparation of the government's financial statements and schedule of expenditures of federal awards (SEFA). The government ensures the quality of its financial statements and SEFA by engaging a qualified audit firm with expertise in governmental audits and by reading a preliminary draft of the financial statements.

Condition: We did not have specific controls in place to review the selection and application of accounting principles and resulting disclosures and presentations within the financial statements and SEFA.

Cause: We are a small organization with limited resources.

Effect: It is common within the governmental sector to rely the audit firm to prepare the financial statements and SEFA; however, an audit firm cannot be considered part of the government's internal control by professional standards currently in effect. Since some presentations and disclosures may be material to the financial statements and SEFA, this weakness in internal control would be classified as material.

Recommendation: The auditors recommended that we continue to read our draft financial statements and SEFA and ensure the quality of the document and the preparer.

Current Status: This finding is repeated in the schedule of findings and questioned costs.

2013-13. ALL MAJOR PROGRAMS

Criteria: Segregation of duties refers to assigning tasks among personnel so that no one person handles substantially all aspects of a transaction.

Condition: In many financial areas, including federal award programs, the government lacks segregation of duties.

Cause: The extent to which the government can segregate duties is limited based on the number of personnel, their skill set and work load, and organizational structure.

Effect: The risk of errors or irregularities occurring and not being detected in a timely manner increases when a lack of segregation of duties exists.

Recommendation: There are inherent inefficiencies with full segregation of duties and inherent risks with the lack of segregation of duties. The cost versus benefits for both should be considered. The auditors recommended that we continue to evaluate our segregation of duties and when possible assign tasks to strengthen controls.

Current Status: This finding is repeated in the schedule of findings and questioned costs.

# OLNESS & ASSOCIATES, P. C.

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## INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the Board of County Commissioners  
Dawson County  
Glendive, Montana

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Dawson County, Montana (the government) as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the government's basic financial statements, and have issued our report thereon dated March 13, 2015. The report on the governmental activities, the road fund, the airport fund and the aggregate remaining fund information was qualified because we did not observe year-end inventory counts and the government's accounting records related to inventory do not permit adequate retroactive tests of inventory quantities. Additionally, the report on the governmental activities, the business-type activities and proprietary fund was qualified because management has not recorded the other post employment benefit (OPEB) liability and related expense.

### Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the government's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the government's internal control. Accordingly, we do not express an opinion on the effectiveness of the government's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and questioned costs to be material weaknesses. (Findings 2014-001 through 2014-003)

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompany schedule of findings and questioned costs to be significant deficiencies. (Findings 2014-004 through 2014-006)

### Compliance and Other Matters

As part of obtaining reasonable assurance about whether the government's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as items 2014-005 through 2014-007.

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL  
OVER FINANCIAL REPORTING AND ON COMPLIANCE AND  
OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL  
STATEMENTS PERFORMED IN ACCORDANCE WITH  
GOVERNMENT AUDITING STANDARDS (CONTINUED)

The Government's Response to Findings

The government's response to the findings identified in our audit is described in the accompanying schedule of findings and responses/questioned costs. The government's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*O'Nease & Associates, PC*

Billings, Montana  
March 13, 2015

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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM  
AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

To the Board of County Commissioners  
Dawson County  
Glendive, Montana

Report on Compliance for Each Major Federal Program

We have audited Dawson County, Montana's (the government) compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the government's major federal programs for the year ended June 30, 2014. The government's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the government's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the government's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the government's compliance.

Basis for Qualified Opinion on the Airport Improvement Program

As described in 2014-008 in the accompanying schedule of findings and questioned costs, the government did not comply with requirements regarding the following:

<u>Finding Number</u>	<u>CFDA No.</u>	<u>Program (Cluster) Name</u>	<u>Compliance Requirement</u>
2014-008	20.106	Airport Improvement Program	Procurement

Compliance with such requirements is necessary, in our opinion, for the government to comply with the requirements applicable to that program.

Qualified Opinion on the Airport Improvement Program

In our opinion, except for the noncompliance described in the Basis for Qualified Opinion paragraph, the government, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on Airport Improvement Program for the year ended June 30, 2014.

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE  
FOR EACH MAJOR PROGRAM AND ON INTERNAL  
CONTROL OVER COMPLIANCE REQUIRED BY OMB  
CIRCULAR A-133 (CONTINUED)

Unmodified Opinion on its Other Major Federal Program

In our opinion, the government complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its other major federal program identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs for the year ended June 30, 2014.

Other Matters

The government's response to the noncompliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The government's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control over Compliance

Management of the government is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the government's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the government's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be material weaknesses.

*A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 2014-008 through 2014-010 to be material weaknesses.*

The government's response to the internal control over compliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The government's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

*O'Leary & Associates, PC*

Billings, Montana  
March 13, 2015

DAWSON COUNTY  
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
 For the Year Ended June 30, 2014

SECTION I - SUMMARY OF AUDITOR'S RESULTS

*FINANCIAL STATEMENTS:*

Type of auditor's report issued: qualified

Internal control over financial reporting:

- Material weakness(es) identified?  yes  no
- Significant deficiency(ies) identified?  yes  none reported
- Noncompliance material to the financial statements noted?  yes  no

*FEDERAL AWARDS:*

Internal control over major programs:

- Material weaknesses identified?  yes  no
- Significant deficiency(ies) identified?  yes  none reported

Type of auditor's report issued on compliance for major programs:

- Qualified for Airport Improvement Program
- Unqualified for Disaster Grants-Public Assistance

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of OMB Circular A-133?  yes  no

Identification of major programs:

<i>CFDA Numbers</i>	<i>Name of Federal Program or Cluster</i>
20.106	Airport Improvement Program
97.036	Disaster Grants-Public Assistance

Dollar threshold used to distinguish between type A and type B programs? \$300,000

SECTION II - FINANCIAL STATEMENT FINDINGS

2014-001. FINANCIAL STATEMENT PREPARATION

**Criteria:** We were engaged to assist in the preparation of the government's financial statements and schedule of federal awards (SEFA). The government ensures the quality of its financial statements and SEFA by engaging a qualified audit firm with expertise in governmental audits and by reading a preliminary draft of the financial statements.

**Condition:** The government does not have specific controls in place to review the selection and application of accounting principles and resulting disclosures and presentations within the financial statements and SEFA.

**Cause:** The government is a small organization with limited resources.

**Effect:** It is common within the governmental sector to rely on the audit firm to prepare the financial statements and SEFA; however, an audit firm cannot be considered part of the government's internal control by professional standards currently in effect. Since some presentations and disclosures may be material to the financial statements and SEFA, this weakness in internal control would be classified as material.

**Recommendation:** The government should continue to read its draft financial statements and SEFA and ensure the quality of the document and the preparer.

**Client Response:** We have read the draft financial statements and will continue to read the draft financial statements to ensure the quality.

DAWSON COUNTY  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
For the Year Ended June 30, 2014

2014-002. OTHER POST EMPLOYMENT BENEFIT LIABILITY NOT RECORDED

Criteria: U.S. generally accepted accounting principles require the OPEB liability and related expense be recorded in the financial statements.

Condition: The government did not record the other post employment benefit (OPEB) liability and related expense (GASB Statement No. 45) in the financial statements.

Cause: The government did not engage an actuarial firm to assist in determining the OPEB liability and related expense as of and for the year ended June 30, 2014.

Effect: The governmental activities, the business-type activities and proprietary fund liabilities are understated, net position is overstated and expenses would change.

Recommendation: The government should engage an actuarial firm to determine the OPEB liability and related expense.

Client Response: We will continue to pursue hiring a firm to determine the OPEB liability and related expense.

2014-003. SEGREGATION OF DUTIES

Criteria: Segregation of duties refers to assigning tasks among personnel so that no one person handles substantially all aspects of a transaction.

Condition: In many financial areas, including federal award programs, the government lacks segregation of duties.

Cause: The extent to which the government can segregate duties is limited based on the number of personnel, their skill set and work load, and organizational structure.

Effect: The risk of errors or irregularities occurring and not being detected in a timely manner increases when a lack of segregation of duties exists.

Recommendation: There are inherent inefficiencies with full segregation of duties and inherent risks with the lack of segregation of duties. The cost versus benefits for both should be considered. The government should continue to evaluate its segregation of duties and when possible assign tasks to strengthen controls.

Client Response: We will continue to look for ways to assign duties, such as reports and reconciliations to someone other than the preparer.

2014-004. ADOPTED PURCHASING POLICY NOT FOLLOWED

Criteria: Department heads wishing to purchase capital items in excess of \$5,000 are required to complete a "Capital Outlay Authorization" form prior to procuring the item. The completed and signed form is to be attached to the supporting invoice and claim form.

Condition: The required form was not always attached and there was no evidence that pre-approval was obtained. This was evidenced by the form being completed and authorized subsequent to the actual receipt of the items.

Cause: Unknown.

Effect: Internal control is weakened.

Recommendation: We recommend department heads adhere to the county's purchasing procedures.

Client Response: The County has revisited this matter with all current department heads.

2014-005. COMPETITIVE BIDDING

Criteria: Section 7-5-2301, MCA, specifies a contract for any purchase in excess of \$80,000 may not be entered into by a county governing body without first publishing a notice calling for bids.

Condition: The County contracted to remodel the weed building without going through the formal bid process. The total cost of the project was in excess of \$80,000.

DAWSON COUNTY  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
For the Year Ended June 30, 2014

Cause: Unknown

Effect: Noncompliance with state procurement statutes.

Recommendation: A contract for any purchase in excess of \$80,000 should be formally advertised for bid in accordance with Section 7-5-2301, MCA.

Client Response: Estimates were received for project. The County signed a contract for the remodel in the amount of \$71,885.00, less than the \$80,000.00 requirement. Later into the project a change order was requested as the slope of the floor needed to be altered for the drain to work properly and it put the project over the threshold. In the future, the County will bid projects when the estimates are near the threshold of bid requirements.

2014-006. COPS GRANT

Criteria: Per OMB Circular A-87, *COST PRINCIPLES FOR STATE, LOCAL, AND INDIAN TRIBAL GOVERNMENTS*, the total cost of Federal awards is comprised of the allowable direct costs of the program. Direct costs are those that can be identified specifically with a particular final cost objective.

Condition: Program expenditures were not separately identified in the general ledger.

Cause: Unknown.

Effect: Non-compliance with program terms and conditions and OMB Circular A-87.

Recommendation: COPS grant expenditures should be separately identified in the general ledger.

Client Response: Separate lines will be added to the general ledger for COPS Grant expenditures.

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Criteria: Grant terms and conditions require grant reports and reimbursement requests to be prepared from the general ledger or other reliable sources.

Condition: Amounts reported on the grant reports/requests for reimbursement did not agree to the general ledger.

Cause: Unknown.

Effect: Reimbursement requests were not correct. The County had a carryover from the prior year and drew \$46,531 in fiscal year 2014. Approximately \$6,000 in costs were incurred. The grant ended August 31, 2013. As a result, \$49,829 is owed back to the granting agency.

Recommendation: Grant reports/requests for reimbursement should be prepared from the actual payroll and accounting records. Additionally, the \$49,829 should be returned to the granting agency.

Client Response: The County has reviewed the costs incurred on the grant. A total of \$163,540.08 in expenses were incurred during the grant period. A total of \$199,556.00 was drawn down, resulting in a difference of \$36,015.92 that will be returned to the granting agency.

2014-007. AIRPORT IMPROVEMENT PROGRAM, CFDA No. 20.106, GRANT Nos. DOT-FA14NM-2024 and DOT-FA13NM-2024

Criteria: Per the OMB Circular A-133 compliance supplement and federal procurement regulations, when a non-federal entity enters into a covered transaction with an entity at a lower tier, (a contractor, subcontractor, individual or supplier) the non-federal entity must verify that the entity is not suspended or debarred or otherwise excluded from participation in the federal program.

Condition: The County did not verify the eligibility for participation in the federal programs for all required parties.

Questioned Costs: None

Cause: Unknown

Effect: Non-compliance with program terms and conditions

Recommendation: The County should develop a process to verify that all required parties are not suspended or debarred or

DAWSON COUNTY  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
For the Year Ended June 30, 2014

otherwise excluded from participation in the federal program. This verification may be accomplished by (1) checking the *Excluded Parties List System (EPLS)* maintained by the General Services Administration (GSA), (2) collecting a certification from the entity, or (3) adding a clause or condition to the transaction with that entity (2 CFR section 180.300). Documentation to support the verification should be retained by the County.

Client Response: The County will work towards developing a process to verify that all required parties are not suspended or debarred or otherwise excluded from participation in the federal program.

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

U.S. DEPARTMENT OF TRANSPORTATION

2014-008. AIRPORT IMPROVEMENT PROGRAM, CFDA No. 20.106, GRANT Nos. DOT-FA14NM-2024 and DOT-FA13NM-2024

Finding 2014-007 applies to this federal award program.

2014-009 All Major Programs as Described in Section I-Summary of Auditor Results

Finding 2014-001 applies to these federal award programs.

2014-010 All Major Programs as Described in Section I-Summary of Auditor Results

Finding 2014-003 applies to these federal award programs.

DAWSON COUNTY  
SCHEDULE OF PRIOR YEAR FINANCIAL STATEMENT FINDINGS

<u>PRIOR YEAR FINANCIAL STATEMENT FINDINGS</u>	<u>STATUS</u>
2013-1. FINANCIAL STATEMENT PREPARATION	CONTINUED DISCLOSURE
2013-2. OTHER POST EMPLOYMENT BENEFIT LIABILITY NOT RECORDED	NOT IMPLEMENTED
2013-3. SEGREGATION OF DUTIES	CONTINUED DISCLOSURE
2013-4. ADOPTED PURCHASING POLICY NOT FOLLOWED	PARTIALLY IMPLEMENTED
2013-5. PREPAID ITEMS	IMPLEMENTED
2013-6. STATE PREVAILING WAGE RATES	IMPLEMENTED
2013-7. COMPETITIVE BIDDING	NOT IMPLEMENTED
2013-8. COPS GRANT	NOT IMPLEMENTED
2013-9. HEALTH DEPARTMENT ADMIN CHARGES	IMPLEMENTED
2013-10. DISASTER GRANTS – PUBLIC ASSISTANCE CFDA No. 97.036, GRANT No. FEMA-1996-DR-MT	IMPLEMENTED